

Statement of Estimated State Revenue Impact

Date: February 19, 2013 (As amended February 19, 2013 by the House Ways and Means Committee)

Bill Number: H.B. 3412

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Committee Requesting Impact: House of Representatives

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-36-2647 so as to provide that the sales, use, and casual excise tax revenues in a fiscal year from the sale, use, or titling of a vehicle required to be registered and licensed by the South Carolina Department of Motor Vehicles must be credited to the State Non-Federal Aid Highway Fund, and to provide for the use of these revenues.

REVENUE IMPACT ^{1/}

This amended bill would reduce General Fund sales and use tax revenue by an estimated \$41,400,000 and General Fund income tax revenue would be reduced by an estimated \$10,350,000 to make the EIA Fund whole in FY2013-14 and FY2014-15. In FY2015-16, and each fiscal year thereafter, General Fund sales and use tax revenue would be reduced by an estimated \$82,800,000 and General Fund income tax revenue would be reduced by an estimated \$20,700,000 to make the EIA Fund whole.

Explanation of Amendment (February 19, 2013) – By the House Ways & Means Committee

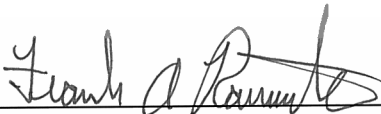
This amendment would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state public school building fund and credited to the State Highway Fund. This amendment would, notwithstanding the provisions of Section 59-21-1010, for FY2013-14 and FY2014-15, allow fifty percent of the revenues derived from the sale of motor vehicles to be credited to the State Highway Fund. In FY2015-16, and each year thereafter, one hundred percent must be credited to the State Highway Fund. The amendment contains an EIA Fund hold harmless provision where an amount of revenue is to be transferred from state General Fund income taxes to offset any reduction in sales taxes not transferred to the EIA Fund. In FY2013-14 and FY2014-15, therefore, fifty percent, or an estimated \$51,750,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue would be reduced by \$41,400,000 and General Fund income tax revenue would be reduced by \$10,350,000 to make the EIA Fund whole. In FY2015-16, one hundred percent, or an estimated \$103,500,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue would be reduced by \$82,800,000 and General Fund income tax revenue would be reduced by \$20,700,000 to make the EIA Fund whole. Because motor vehicle sales are subject to fluctuations in economic activity and other factors, this analysis does not forecast motor vehicle sales in the long term.

Explanation of Bill Filed January 23, 2013

This bill would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state General Fund and the Education Improvement Fund (E.I.A.) and credited to the State Highway Fund. The sales tax paid by a purchaser of a motor vehicle is the lessor of five percent up to a maximum of \$300 per motor vehicle pursuant to Section 12-36-2110(2) of the Code of Laws, 1976. The amount of General Fund

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sales and use tax revenue collected from the \$300 sales tax cap on the sale of motor vehicles in the State is an estimated \$103,500,000 in FY2013-14. The five percent sales and use tax on the sales of motor vehicles is divided into two components. The four percent component is allocated to the state General Fund. The one percent component is allocated to the Education Improvement Act (EIA) fund. This bill would allow the five percent sales and use tax, pursuant to Section 12-36-910, from the sales of motor vehicles to be credited to the State Highway Fund. The revenues must be used exclusively for maintenance of existing roads and additional capacity on existing roads. The revenues may not be used for administrative costs. This bill would reallocate \$103,500,000 of sales tax revenue to the State Highway Fund within the Department of Transportation in FY2013-14. Of the estimated \$103,500,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue amounts to \$82,800,000 and EIA fund revenue amounts to \$20,700,000 in FY2013-14. This act takes effect July 1, 2013.



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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.